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C O N F I D E N T I A L MANAGUA 001019

SIPDIS

E.O. 12958: DECL: 10/06/2029

TAGS: [EINV](#) [ELAB](#) [ECON](#) [NU](#)

SUBJECT: NICARAGUA: AMCIT'S FISHING FLEET IN TROUBLE

Classified By: Ambassador Robert J. Callahan for reasons
1.4 (b) and (d)

¶1. (C) Summary: A U.S. Citizen who owns shrimp boats and a dry dock on the Atlantic Coast is now facing labor difficulties that threaten to put him out of business. In the past, the mission has contracted his dry dock for vessel repair, but we are now investigating alternatives for this service. End summary.

¶2. (C) U.S. citizen Ronald S. Herndon is the owner of Gulf King Seafood S.A., which in 1993 began to operate shrimp boats off the Atlantic Coast of Nicaragua. The company has a fleet of 39 boats working out of Bluefields in the Southern Autonomous Atlantic Region (RAAS). Herndon told emboffs on October 5 that in recent months he had dispatched only a few of those boats, because high fuel costs and a scarcity of shrimp caused by "El Nino" weather patterns made shrimping barely profitable. Lately, however, he said a labor dispute prevented him from shrimping at all.

¶3. (C) Herndon explained that he recently has cut staff from about 150 to fewer than 100, dismissing a few at a time. Looking to avoid further layoffs, Herndon said he consulted with a local Ministry of Labor (MITRAB) official, who told him he could furlough workers instead of firing them. However, when Herndon advised 52 of his remaining employees that they would be furloughed for 90 days, 39 of them, plus an additional 18 workers, decided to quit instead.

¶4. (C) Under Nicaraguan labor law, employees are entitled to full severance pay even when they quit. As a result, Herndon said he now owes \$80,000 in severance pay to the 57 employees who quit. Herndon told emboffs that he could not make the payment because his business is strapped for cash. He is looking to negotiate with his former employees for additional time to pay them. Herndon said he asked for a 12-month grace period at first but was now looking for a three month term -- the former employees expected immediate payment. In the interim, his former employees have physically barred Herndon from access to his office and fleet.

¶5. (C) Herndon told emboffs he believes his former workers are being egged on by senior officials of the Nicaraguan Government and Sandinista National Liberation Front (FSLN) to refuse to accept anything less than an immediate cash settlement. Herndon recounted difficulties with President of the Nicaraguan Fisheries Institute (INPESCA) Steadman Fagot over the monthly certification he requires to be able to fish. He said one local FSLN leader in particular, Lumento Campbell, "has it out for me" and is backing his former employees' demands for severance pay as required by law.

¶6. (C) Herndon said things have been difficult since Ortega took office. He contrasted that experience with his treatment by the Chamorro administration, when he first

established Gulf King in Nicaragua. At that time, he said, he was greeted with open arms. About relations with Aleman, who was in office from 1997 to 2002, Herndon said, "You could get things done, but it would cost you." When emboff asked about the costs involved, Herndon recounted how, when he sat down with Aleman, "Aleman would never ask for a dime, but he would tell me to write \$10,000 checks to different tribal leaders along the Atlantic coast." Herndon concluded, "You've got to work with it that way, that's how it is."

¶7. (C) Herndon said licenses for his shrimp boats would come up for renewal in November. He said he was worried that Fagoth would not provide the license or that he would require some kind of payment for the licenses -- Herndon threw out the figure of \$500 per vessel. When emboff asked Herndon what he would do if Fagoth asked him for money, Herndon responded that he would have to "wait and see." (Note: INPESCA whistleblowers accuse Fagoth of misusing government resources, but the Office of the Controller General, the entity charged with investigating corruption, refuses to look into the matter. Recently, the Embassies of Japan and Norway have complained to us about Fagoth's corruption, including brazen requests for bribes. End note.)

¶8. (C) Comment: Herndon runs the only dry dock on Nicaragua's Atlantic Coast. INL, MILGRP, and SOUTHCOM have used his facilities at various times over the past several years for vessel maintenance, repair, and refurbishment. Post is evaluating alternatives for this kind of maintenance in the future.

CALLAHAN